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A Dialectical Framework and Critical Approach to the Political Economy of Southeast Asia

Neoliberalization Processes, Elite Interests, and Emerging Social Forms

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A Dialectical Framework and Critical Approach to the Political Economy of Southeast Asia: Neoliberalization Processes, Elite Interests, and Emerging Social Forms^{*}

Bonn Juego^β

MAIN OBJECTIVE

The main objective of this research is to contribute to a critical understanding of the political economy of contemporary Southeast Asia in analytical, conceptual, and empirical terms. Its starting point is the observation that there is something distinctive on the way capitalism evolves in the region since the 1997 crisis. Its focus therefore is on the historical specificity of capitalist development in the region as an alternative reading to mainstream literature that sees capitalism—or its current configuration of neoliberalism—as a time-less, place-less, omnipotent force. This focus on the historical specificity of present-day capitalist moment concerns the differences in dynamics that neoliberalism may have in different social contexts. Hence, it requires a comparison of diverse societies within the region so as to analyze the phenomena of neoliberalization in specific national situations within a broadly comparative framework.

While established literatures on the political economy of Southeast Asia recognize specificities of capitalism (e.g., Robison, Hewison, and Higgott 1987; Hewison, Robison, and Rodan 1993; Rodan, Hewison, and Robison 1997, 2001, 2006), these publications are to a large extent country-specific, single-country case studies that often fall short of appreciating the significance of a comparative perspective in which national states interact—proactively or reactively—with transnational processes, institutions and actors (Rasiah and Schmidt 2010). This research project attempts to comprehend specificities of capitalist development in Southeast Asia through a comparative study of diverse societies in the region—the Philippines and Malaysia—in the contexts of contemporary regional and international processes—the 1997 Asian financial crisis (AFC) and the 2008 global economic crisis (GEC)—that have definitely impacted on relations within societies and between states in the region. In doing so, it takes up on a challenge posed by Paul Cammack (2009) on the need for a comparative political economy perspective in understanding the specificities of capitalism in Asia. In his article ‘The Shape of Capitalism to Come’, Cammack (2009: 277-278) concludes with an observation that: ‘There is a vast literature on “varieties of capitalism” in the developed world, generally revolving around a dozen or so classic cases, but relatively little of a comparative character on “emerging

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varieties of capitalism” in Asia, and less still that is focused on emerging capitalist projects and their contestation.’ It is, however, the aim of this research not to simply contribute to a somewhat *typological* approach in the research programmes on the spatiality of capitalist development such as the emerging discipline of economic geography (Scott 2000; Hudson 2004; Coates 2005; Crouch 2005), the flourishing ‘varieties of capitalism’ school (Albert 1993; Blyth 2003; Hall and Soskice 2003; Howell 2003), as well as the still inchoate ‘variagated capitalism’ approach (Peck and Theodore 2007; Brenner, Peck and Theodore 2010)—virtually all of which has thus far focused on the context of advanced capitalist countries. More than anything else, the aim is to provide a dynamic analysis of *historical processes, relations, and change* in contemporary capitalist development in developing countries of Southeast Asia.

Surely, there is a clear need to differentiate between national situations. But this analysis must appreciate the systemic unity of global capitalism recognizing that the self-expansion of capital is a dynamic and uneven process, in particular the different projects and strategies from state to state in the system to secure the hegemony of capital and the enforcement of market dependence on the global stage. These varying national configurations within the system are consequences of the uneven and combined character of global capitalist development. While the same processes of neoliberalization are at work in these diverse situations, the outcome cannot be expected to be one of convergence (Peck and Tickell 2002). As David Harvey (1992: 292-293) convincingly explains with regard to the drive for capital accumulation: ‘The focus is on *processes*, rather than on things and events...[T]o say there is a simple process at work is not to say that everything ends up looking exactly the same, that events are easily predictable or that everything can be explained by reference to it alone...Capitalism has, in short, always thrived on the production of difference’.

RESEARCH PROBLEMATIQUE

Studies on political economy are basically attempts at explaining capitalist development, specifically the embedded relationships within and between market, state, and society. The structure of contemporary Southeast Asia is a product of a complex interaction of forces, events, and processes and their mutually reinforcing tendencies. It is through these complex relations and their attendant manifestations—most importantly, between markets, states, and societies—that specific dynamic of capitalist development has been generated. An analysis of this dynamism therefore demands a dynamic analysis of processes, interests and transformations.

This research puts emphasis on historical process of change, rather than on simple typology or conceptualization, of phenomena. In particular, it seeks to identify the specificities of capitalism in Southeast Asia focusing on the contrasting cases of the Philippines and Malaysia and explain the social transformations and struggles that brought it about, producing a particular social form with distinctive dynamics.

Thus, the main problematique of this research is: *How has capitalism evolved in Southeast Asia since 1997?*

To this end, it opens up three important areas of inquiry about post-1997 crisis political-economic transformation and social change in the region with reference to the Philippines and Malaysia.

1. How has the *process* of neoliberalization evolved since the 1997 AFC? Here the impetus given by the crises of 1997 and 2008 to the construction of new opportunities for economic restructuring and political reforms is called into question.
2. How and why class relations, specifically national and transnational elite *interests*, shape the evolution of capitalism in the region? This examines the role of domestic and transnational political-economic elites and the extent of their respective vested interests in shaping, negotiating, promoting, or resisting neoliberal reforms.
3. What particular social *form* (political-economic structure) is emergent in the region as a consequence of the interactions between the process of neoliberalization and the dynamics of elite interests? It also interrogates the how and why in the emergence of a seemingly contradictory social regime called ‘authoritarian liberalism’, which combines a strong state with liberal market economy, in the Philippines and Malaysia that results from conflicts in contemporary capitalist relations.

A critical appraisal of these problematique and sub-queries need a theoretical and conceptual framework that embodies a dialectical relationship between processes and concepts in historical, social, and international contexts. This framework must have an understanding that the process of social change is reflected in the enduring contradiction between structure and agency. Therefore, three main tasks are done to unpack this dynamics: first, comprehend the prevailing political-economic structure in the region; second, relate the action of agency to the evolution of social structures and vice versa; and third, figure out the emergent social regime that comes out of the interactions between structure and agency.

THEORETICAL FRAMEWORK

The distinctive character of contemporary capitalist development in the region of Southeast Asia and the societies of the Philippines and Malaysia is bewilderingly complex that established and mainstream approaches in politics and economics cannot comprehend. At one level, the process of social change in states in the region is intrinsically linked to the structural imperatives of global political economy. At another level, the economic crises of 1997 and 2008—as well as the 9/11 attacks in 2001 which is another crisis with security dimension—have ramifications for changing relations within societies and between states, but still under conditions of global capitalism. Hence, there is a need for a theoretical framework that captures the complex and contradictory dynamics in the relation between market, state and society, at international, regional, and domestic levels in broadly conceptual and historical

terms. So it is time to provide an alternative to that of the mainstream—influenced by development theory, neo-classical economics and the neoliberal ideology—and examine specificity of capitalist development in Southeast Asia in critical and comparative perspectives that utilize the concepts and tools of ‘critical political economy’. In a word, the research task here requires a critical theory of change that understands particular phenomenon in its historicity and specificity, its contradictions and conflicts, as well as in terms of social relations.

This research takes inspiration from theories of change derived from ‘critical political economy’ that have been introduced and developed in the various fields of inquiry, namely: historical and social change; international political economy; and the political economy of Southeast Asia. In particular, its chosen problematique on the specificity of capitalist development was a challenge taken from the ‘classical Marxist political economy’ of Ellen Meiksins Wood (1991, 1995, 2003, 2007) in understanding the historical particularity of capitalism and specific forms of power. Its framework of analysis has been influenced by the ‘method of historical structure’ of Robert W. Cox (1981, 1983, 1987) for understanding global power relations in terms of the processes of change in the interaction among social forces, forms of state, and world order. And its motivation has been stimulated by the willingness to contribute to the meaningful research project of the ‘Murdoch School’ (especially the scholarship of Richard Higgott, Richard Robison, Kevin Hewison, Garry Rodan, and Kanishka Jayasuriya) in examining the political economy of Southeast Asia through ‘social conflict theory’ which understands change in the region as a conflict-ridden process (Higgott and Robison 1985; Robison, Hewison and Higgott 1987; Hewison, Robison and Rodan 1993; Rodan, Robison and Hewison 1997, 2001, 2006).

Classical Marxist Political Economy

As its starting-point, the research has got a cue from Ellen Meiksins Wood who has set out an agenda for a critical Marxist approach to contemporary capitalism:

...the premise that the critique of capitalism is urgently needed, that historical materialism still provides the best foundation on which to construct it, and that the *critical* element in Marxism lies above all in its insistence on the historical specificity of capitalism – with the emphasis on both the specificity of its systemic logic and on its historicity. (Wood 1995: 2)

This approach is ‘critical’ in three main respects. First, it is a critique against ‘determinism’ or ‘teleology’ and hence understands structures as processes and relations whose origin and prospects for change are products of enduring ‘struggles’ between conflicting actors. Second, it is a critique against ‘monocausal economism’ and hence understands capitalism as ‘social relations’ in which the political and the economic are spheres that are organically connected to, rather than separate from, each other. And third, it is a critique against ‘fetishism’ and hence understands capitalist development as a historically specific manifestation of social relations that has assumed a particular form (Wood 1981, 1995; see also Burnham 1994).

An appreciation of the specificity of capitalist development is an understanding of a specific conception of capitalism as a historically specific social form. As such, its main aim is not simply to describe or conceptualize phenomena but to explain

historical process of change (Wood 1995, 2007). It is through this process that specific dynamic of capitalist development in different countries has been generated. On this premise, the research draws attention to the particular ways in which contradictions are manifest, the different ways in which diverse societies in Southeast Asia face and (temporarily) overcome them, the ways in which this process is mediated by conflicts and has created further contradictions, and so on. Key to this exploration is an analysis of social relations and an appreciation of concrete empirical and historical processes that brought about capitalism's contemporary configuration in the region.

Coxian Method of Historical Structure

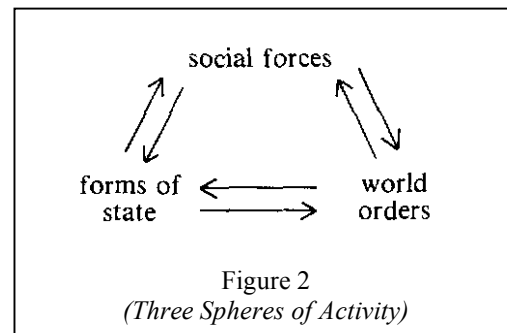
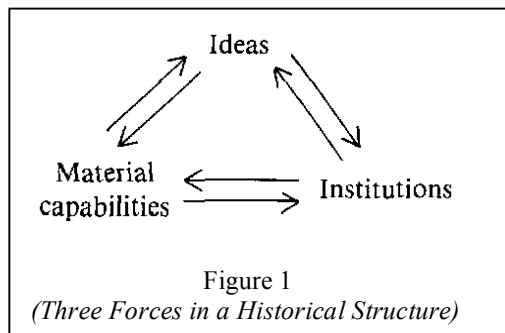
In the field of 'critical IPE', the research has been influenced by the method of historical structure of Robert W. Cox (1981, 1983) whose seminal articles in the 1980s dealt with the questions of power relations both in the historical origin and process of change of a prevailing world order (see Shields et al. 2011). For Cox, 'critical political economy' is 'concerned with the historically constituted frameworks or structures within which political and economic activity takes place. It stands back from the apparent fixity of the present to ask how the existing structures came into being and how they may be changing, or how they may be induced to change' (Cox 1995: 32).

Central to Coxian approach is the ontological significance of the production of material life. Here 'production' refers to the 'collective life' that includes both production in economic terms (such as agriculture, commerce, and industries) and the production of ideas, intersubjective meanings, norms, institutions, and social practice (Cox 1987). Cox points out the significance of revealing the ontology of our time and the necessity to transform this ontology must come with the 'frameworks for action', which is crucial in understanding historical structures. This framework for action, however, changes over time; and the main goal of critical theory is to understand these changes. But the framework within which action takes place must be viewed from outside both in the context of conflict and of the possibility for change (Cox 1981). Historical materialism is an essential foundation of Cox's critical theory because of its use of dialectic with emphasis on structural contradictions and the points of conflict it generates as a source of transformative changes.

The conceptual framework of this research has been particularly developed from the heuristic device—i.e., a simplified representation of complex reality and its tendencies bounded by specific time and space—used in the Coxian method of historical structure (see Figures 1 and 2). There are three interacting forces in a historical structure: material capabilities, ideas, and institutions (see Figure 1).¹ And there are three interrelated levels or spheres of human activity: social forces (organization of production), forms of state (state/society complexes), and world

¹ *Material capabilities* refer to accumulated resources, including technology, with 'productive and destructive potentials'. *Ideas* are of two kinds: intersubjective meanings (or shared notions of the nature of social relations such as the exercise of the authority of states) and collective images of social order held by different groups of people. *Institutions* reflect the prevailing configuration of power that stabilize and perpetuate prevailing order; but they may also become battlegrounds for opposing tendencies (Cox 1981).

orders (particular configuration of forces).² The relationship between the three forces and the three spheres of activity in the historical structure can be considered either separately (i.e., social forces, forms of state, and world orders as particular configurations of material capabilities, ideas, and institutions) or in relation to each other (each contains and bears the impact of others).



The sense of historicity and specificity of the heuristic device in Coxian method of historical structure suggests that the determination of causal or dialectical relationships among forces or factors (external or internal) and between scalar levels (national, transnational, or international) depends on history and empirical study of a particular case. In Figures 1 and 2, the direction to which a line goes is not trivial; rather it depicts causality (the arrow of causality that deals with the question of history or origin of a phenomenon) and dialectics (the inherent contradictions in a structure and the processes of change). In sum, the Coxian method of historical structure has been an influence in this study of the historical specificity of capitalist development in contemporary Southeast Asia most importantly because of: [a] its emphasis on historicity and particularity; [b] its focus on the interaction of social forces at national, international and transnational levels; and [c] its understanding of the contradictory nature of structures and the processes of change that conflicts induce.

Social Conflict Theory

The central theme of social conflict theory is the understanding of change as a process of social conflict. This theoretical framework has been developed and articulated in a series of publication of the 'Murdoch School' on the *Political Economy of Southeast Asia* (Rodan, Robison, and Hewison 1997, 2001, 2006), initially as an alternative to the static and ideological postwar orthodoxies (Higgott and Robison 1985)—specifically, growth theory, political order theory, political development theory, modernization theory, and dependency theory—and later on as a critique on neo-classical economics' reification of the market and on institutionalism's simplistic understanding of change as a problem of institutions and capacity building. It is this worthwhile research endeavour of the Murdoch School to explain the processes of

² The relationship between the three levels of activity is interrelated and not simply unilinear: 'Changes in the organization of production generate new social forces which, in turn, bring about changes in the structure of states; and the generalizations of changes in the structure of states alters the problematic of world order' (Cox 1981: 138).

change in Southeast Asia through a social conflict approach to the political economy of specific countries in the region that has stimulated this research interest.

The Murdoch School particularly introduced and utilized the ‘social conflict theory’ in the context of post-1997 crisis Southeast Asia (Rodan, Hewison, and Robison 2001, 2006). The theory attempts to provide crucial linkages between the processes of crisis, state restructuring, and social change. It was proposed as an alternative reading to established theories from neo-classical economics and Weberian/Keynesian-inspired institutionalist approaches that have provided their respective analyses of the causes and effects of the 1997 crisis.

Numerous authors have provided highly nuanced explanations as to the nature and causes of the crisis (see Beeson and Rosser 1999) which may possibly be categorized into two opposing schools of thought. The first and most influential comes from the neoliberals providing the mainstream neo-classical account of the crisis that basically believes in the efficiency of the harmony creating markets. The international financial institutions such as the IMF, World Bank, and the Asian Development Bank argue that the crisis was a product of continuing selective state intervention and illiberal non-market-based controls in the respective economies of Asia, as well as the failure to construct proper market-based regulatory systems (Camdessus 1998; Stiglitz 1998; Balifio and Ubide 1999; Graham 2003; Ito and Krueger 2004).

The second were the so-called historical institutionalists and heterodox/post-Keynesian economists who champion developmental states and who argue that the crisis was a result of the compromised or weakened capacity of the state to govern markets due to liberalization and externally promoted deregulation (Wade 1998; Wade and Veneroso 1998; Weiss 1999; Weiss and Hobson 2000). They propose that a strong state is essential, rather than antithetical, to integration in the global economy. Historical institutionalists also draw attention to social change, which they see as a process involving complex questions of power, class interests, and the relationships between these social structures and the international economy (Hutchcroft 1999; Doner and Ramsey 1999; Haggard 2000).

A large majority of literature on the political economy of post-crisis Southeast Asia, shaped by the neoliberals and institutionalists, have therefore been limited to a simplistic “state versus market” debate—i.e., the failure of the state either to make markets work or to discipline domestic firms and financial institutions. These dominant discourses have however glossed over the crisis-ridden nature of global capitalism, as well as the conflicts it both constitutes and induces. It is for this reason that this research adopts the social conflict theory and hopes to contribute to an alternative reading of post-crisis capitalist development in Southeast Asia and its implications for state restructuring, regime transformation and social change (e.g., Robison, Beeson, Jayasuriya, and Kim 2000; Gomez and Jomo 1999; Bernard 1999; Tabb 1999; Robison and Rosser 2000; Schmidt 2002; Rodan, Hewison, and Robison 2001, 2006). Some of the essential features of the social conflict approach upon which the research draws upon include:

- [a] its proposition that social conflicts drive institutional change;
- [b] its understanding of the class-based nature of institutions and their function as mechanisms for the allocation of power;

- [c] its fundamental point that crisis reshapes class relations; and
- [d] its recent attempts to unpack power relations and the shape of political-economic regimes as a consequence of the 1997 AFC, as well as the geopolitical shifts accelerated by the 'war on terror' in the wake of the 9/11 events.

Critical Political Economy Approach

This research combines the concepts and tools from these various traditions in 'critical political economy' developed in and derived from the interrelated methodologies of classical Marxist political economy, Coxian method of historical structures in critical IPE, and social conflict theory in the political economy of Southeast Asia to produce a distinctive approach in understanding the specificities of capitalist development in developing countries. This alternative approach will prove useful in examining the interaction between neoliberal processes, social forces, and emergent social regimes at global, regional, and state/society levels. For the significance of these linkages to be grasped, the reductionist and ill-formulated mainstream approaches ranging from neo-classical economics and neoliberal ideology to the established institutionalist approaches must be put aside.

The critical political economy approach understands phenomena as 'social relations', in which 'the political' and 'the economic' are organically connected to, rather than separate from, one another. Through this approach, it can *reveal* the politics behind the economy.

Moreover, the non-equilibrium, non-physics based, and non-mathematical approach of critical political economy would be able to explain the complexities of economic development in the broader social structural context. Its interest in the 'economy' as a real object, rather than the abstractions of 'economics' and the reifications of 'markets', and its consideration of class and social variables (state, institutions, policy, civil society, values, ethnicity, culture, etc.) that are traditionally excluded in mainstream, 'standard textbook' economics are appropriate tools to grasp the uneven process of capitalist development and the vested interests in the development strategies pursued in developing countries. It thus offers an alternative to mainstream neo-classical economists who regard market systems in Southeast Asia at face value without consideration of the social foundation of the market upon which it is based and embedded. While mainstream economics is based on mathematics and physics and makes claims on the scientific foundation and universal application of its findings, the critical political economy approach applied in this research: [a] reveals the political nature of the economy that implicates issues of class and social relations; [b] unearths the myth of the self-regulating market and its assumptions towards harmony and equilibrium; [c] exposes the 'invisible hand' of elite interests among the political and economic class; and [d] unveils the conflict-ridden and contradictory character of the process of neoliberalization and its market-oriented logic.

Ontologically, critically political economy as an alternative approach does not naturalize theoretical objects such as the polity, the economy, the state, the market, crisis, and the development process; but regards them as historically specific, socially embedded, and, to a certain extent, socially constructed. Epistemologically, while it

criticizes the ahistorical, universalistic, and reductionist claims to knowledge of mainstream political science and orthodox economics, the alternative approach understands phenomena through an assessment of the constitutive role of the material and ideational aspects in social relations and their impact on change. And methodologically, it takes into account the *relevant* and *significant* elements, factors, and processes *excluded* in mainstream literatures and theories so as to provide an apposite understanding of phenomena.

In sum, the critical political economy approach used in this research sees the structures, the relations, the processes, and the conflicts in understanding specific phenomena. A focus on *structures* allows for an analysis that situates phenomena within the broader context of the global and local dynamics of capitalism. An understanding of *relations* involved in specific phenomena allows for an inquiry into questions of power, interests, and ideology among the actors involved. An appreciation of *processes*—in which phenomena emerge and evolve—provides for a dynamic, not static, analysis of social change. And a perspective of *conflicts* understands the conflictual nature of structures, relations, and processes through which change is induced and produced.

Combining the concepts and tools from the traditions of critical political economy identified above thus create an alternative approach viewed from comparative, critical, and interdisciplinary perspective. This approach thus captures ‘global - state - social change’ synergy and dynamics. At the same time, it is sensitive to specificities in national situations in particular historical moment in the context of social relations within a broadly comparative framework.

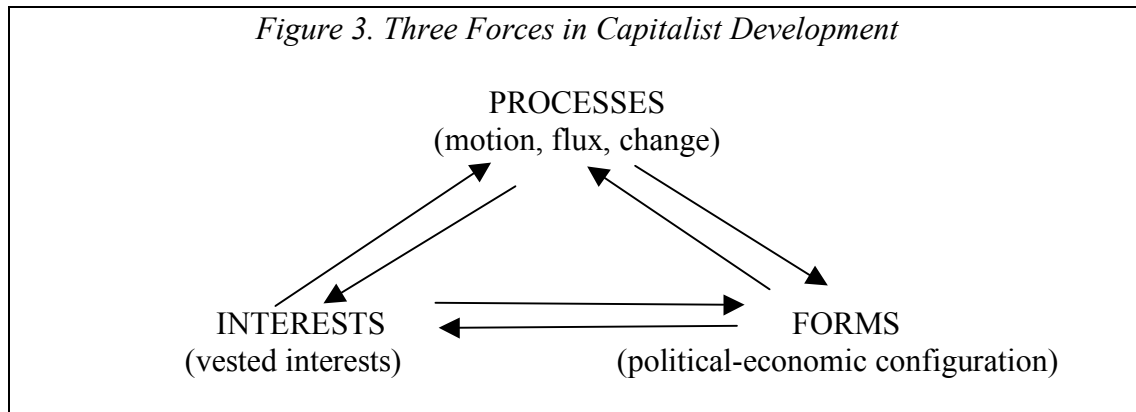
CONCEPTUAL FRAMEWORK

The method of analysis of this research is to move from ideational abstractions to concrete historical processes through empirical evidence. At its most abstract, the conceptual framework for understanding the specificity of capitalist development outlines a simplified representation of a particular configuration of forces, namely: *processes*, *interests*, and *forms*. This is not to dispute that other factors or forces matter, but to illuminate the dynamism—rather than determinism or reductionism—of contemporary political economy in Southeast Asia so as to emphasize conflict, motion and flux in capitalist development.

Heuristic Device: Three Forces in Capitalist Development

As a heuristic device, three forces—which are either latent or manifest—interact in shaping capitalist development (Figure 3). In stylized format, the presentation of this research proceeds as follows:

Processes — Interests — Forms



It is necessary to understand neoliberalization as a ‘process’ to imply motion, flux, and the possibilities of change. Interests specifically refer to ‘vested interests’ of individuals or groups who have stakes for personal, class, ethnic, ideological, political, economic, or financial gains. And ‘form’ is a particular political-economic configuration. All these forces interact with each other in shaping the evolution of capitalism, and their interactions constitute a specific dynamic of capitalist relations.

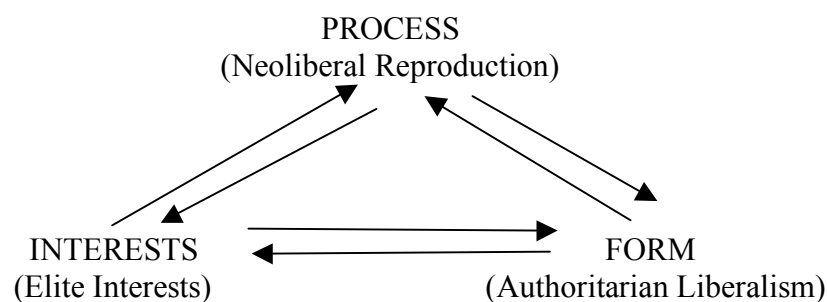
The relationships among these forces are neither mechanical nor predetermined hierarchically. Rather, causal relationship may be established depending on history and empirical study. Where relations between the forces are contingent, their specificity must always be an empirical question, that is one which must be answered by observing actual cases.

However, as a critical research, the focus is more than on causality because it understands the dialectical relationship between these forces. The dialectics here is understood in three senses. First, all these forces exist together, not simply in causation but as interrelations within a system of interacting moments. That is to say, the three forces are an organic set of relations in which one cannot be separated from the other. Second, the dialectics deals with conflicts in the internal relations of a structure. As such, a phenomenon is approached in an open and fluid way, and hence it avoids mechanistic and reductionist interpretations of change. And third, against the broader reality in the overall structure, rival forces and different tendencies also exist. This means that there are other, alternative processes, interests, and forms interacting within the structure.

For the purpose of this research, this heuristic device is applied to a conceptual framework that particularly encapsulates change and relations between processes, interests, and forms (Figure 4). It highlights conflicts in market-state-society relations in capitalism, as well as its tendencies, specific to time and space. The framework is based upon a dynamic knowledge of structures akin to the epistemology of E.P.

Thompson (1978) with ‘concepts appropriate to the investigation of process’, rather than on knowledge with ‘static conceptual representation’ (Thompson 1978: 275, as cited in Wood 1995: 79). Specifically, the conceptual framework depicts the interrelations between [a] the prevailing process of ‘neoliberal reproduction’ (the production of commodity, institutions, policies, and relations associated with the ideology of neoliberalism); [b] the dominant class relations, particularly among ‘elite interests’ (vested interests of political-economic elites at national and transnational levels); and [c] the emergent social form called ‘authoritarian liberalism’ (a social regime characterized by a neoliberal economic system in an authoritarian political structure).

Figure 4. Specific Process, Interests, and Form in Contemporary Southeast Asia



The framework is designed to provide a picture of the particularity of Southeast Asian political economy at the present historical juncture. It does not assume a one-way determinism among the three forces. The question of origin—of which way the lines of force run—is always an historical question to be answered by a study of the particular case. Their relationships can be assumed to be reciprocal. As a dialectical relationship, the forces are not considered separately, but in relation to one another. Each force is seen as having the impact of others.

Indeed, there are many possible relationships that can be established in the framework. The analytical task is to identify the most significant relationships among these forces and concepts based on an empirical study of the specific cases of Southeast Asia, the Philippines, and Malaysia at this historical juncture.

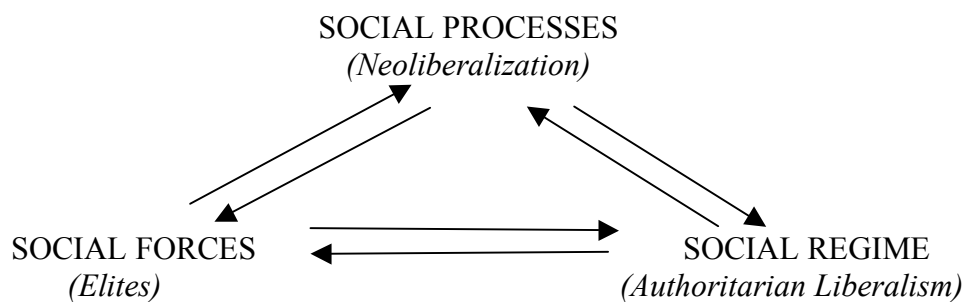
Level of Analysis

An understanding of the specificity of capitalist dynamics requires a specification of the level of analysis. Monocausal determinist approaches would founder on their inability to explain the complexity of the process of capitalist development and the social relations intrinsic in this process.

The dialectical method adopted in this research understands the inherent contradiction in any historical structure. In particular, it is the perspective that there are opposing tendencies within a structure: the hegemonic structure and a counter-hegemonic structure. In epistemological terms, the hegemonic structure is not always a ‘social

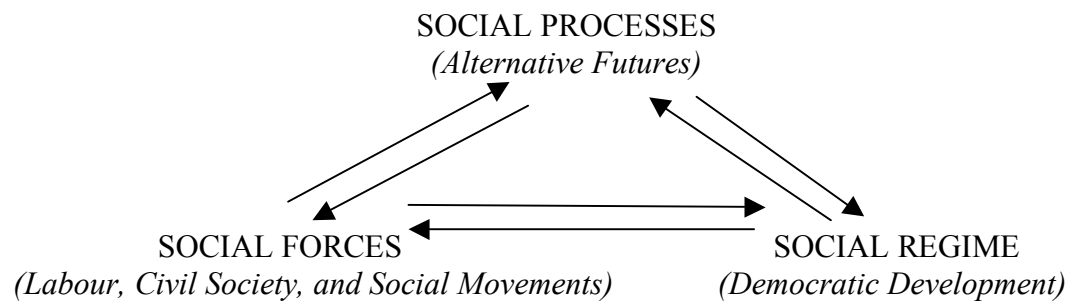
construct' for who is 'social' here is not necessarily the people or society, but the powers that be. Hence, the hegemonic structure is most likely to be a 'power construct'. The agents who drive a hegemonic structure in material and ideological aspects are not always uniform; they also have varied and conflicting material and ideological interests. To the extent that an alternative, counter-hegemonic structure overcomes the hegemonic structure, a new historic structure emerges. This new historic structure is subject to the same process of historical change, and as such it is contradictory and whose future depends on the enduring struggle between forces who want to retain the status quo and those who oppose it.

Figure 5. Level of Analysis: A Focus on the Hegemonic Structure



The focus of this research is on the enduring hegemonic structure in Southeast Asia (Figure 5). In particular, neoliberalization is regarded here as the prevailing social process in Southeast Asia; elites as the dominant social force in capitalist relations; and authoritarian liberalism as the emergent social regime in the region. It does acknowledge the existence of a counter-hegemonic structure and its potentials for social change at some points in the discussion. A much-detailed study on the dynamics within this counter-hegemonic structure is no doubt an important field of inquiry for another research project. For instance, another worthwhile research endeavour may focus: on different social processes other than, or as an alternative to, neoliberalization; on labour, civil society, and social movements as potent social forces driving these processes; and the possibilities of a different social regime like democratic development that envisions both democracy and development as organically political and economic categories (Figure 6). The rationale for selecting the focus is to show that even within the hegemonic structure itself, capitalist dynamics in the region and in respective countries is also conflictual.

Figure 6. Another Possible Level of Analysis: Counter-Hegemonic Structure

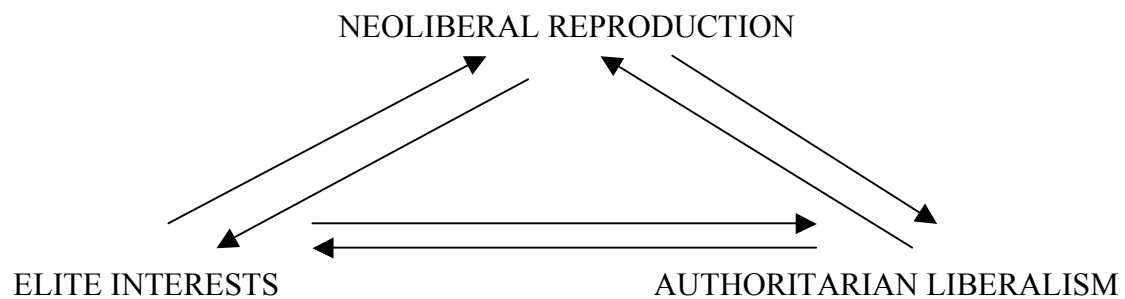


Just like other frameworks of analysis, the conceptual framework of this research reflects precedence on what it deems to be (the most) significant impetus for the process of change. The research does not make any claim that neoliberal reproduction is the only process in operation, that elites are the only actors at play, and that authoritarian liberalism is the only social form emerging in contemporary Southeast Asia. For sure there have been a plethora of research done in various contexts that focus on other actors, groups, agents, or identities that intervene in the processes of change and hence produced varying tendencies and social forms (see, e.g., Jenson, Mahon and Bienefeld 1993; Jessop 1993; Peck and Tickell 1994; Amin 1994; Boyer 1996; Brodie 1996; Lerner 2000). It is simply to articulate that it is implausible to understand existing dynamics of capital accumulation in the region without examining the conflictual relationship of these dominant forces.

Conceptual Framework: Specificity of Capitalist Development in Southeast Asia

The framework of this thesis—centred on the dialectical relationship between the concepts ‘neoliberal reproduction’, ‘elite interests’, and ‘authoritarian liberalism’—is based broadly upon a critical comparative political economy approach that takes inspiration from classical Marxism, critical IPE, and social conflict theory and their improvisations to suit the circumstances of contemporary global capitalism (Figure 7). Its critical orientation means that the purpose is not simply to conceptualize for the sake of conceptualization, but to explain the processes of historic transformation of capitalism in Southeast Asia, the Philippines, and Malaysia. Its comparative approach suggests that there is a comparable dynamic at work that drives the general capitalist process to assume particular forms in specific contexts.

Figure 7. Conceptual Framework: Specificity of Capitalist Development in Contemporary Southeast Asia



The question as to the reciprocity or to which direction the arrow of causality moves is a question of history. The present historical conjuncture is to be understood based on the most prevailing relationship among the several possible relationships that can be established in this heuristic device.

At this point, three key concepts used in this research have to be operationalized: neoliberal reproduction, elite interests, and authoritarian liberalism. Each concept is already a phenomenon in itself in contemporary Southeast Asia. But an analysis of the interrelations of the three concepts and their mutually reinforcing tendencies is very significant in unpacking the complexity of the neoliberal phase of capitalist development in the contexts of enduring social relations in the Philippines and Malaysia.

The concept of **neoliberal reproduction** refers to the prevailing political-economic process at this historical juncture. It constitutes two terms that needs to be defined: neoliberalism and reproduction. ‘Neoliberalism’ understood here refers to that specific configuration of capitalism (liberalism plus new institutional forms), that specific ideology (market fundamentalism), that specific phase of capitalist development with the ascendancy of financial over productive capital (post-Fordism), those specific set of 10 economic reform policies enshrined in the structural adjustment programmes (SAPs or the Washington Consensus), the specific class relation (real subsumption of labour to capital), and the specific process of capital accumulation (using money to make more money). Neoliberalism is basically a renewed form of ‘economic liberalism’ (Fine 2001; Cammack 2003; Harvey 2005).

The idea of ‘reproduction’ in this research is not based on the mathematical formulation of Marxist economics on the reproduction schema (e.g., Trigg 2006), but essentially on what classical Marxists understood as ‘capitalist reproduction’ that refers to ‘the process by which a specifically capitalist society evolves and reproduces its social relations on an expanding scale’ (Weeks 1981: 118). The concept was derived from Marx’s original conceptualization of ‘reproduction’ in *Capital I*:

Whatever the social form of the production process, it has to be continuous, it must periodically repeat the same phases. A society can no more cease to produce than it can cease to consume. When viewed, therefore, as a connected

whole, and in the constant flux of its incessant renewal, every social process of production is at the same time a process of reproduction. (Marx, *Capital* I, ch. 23)

Thus, reproduction ‘involves both production and the setting up of conditions whereby production can continue to take place’ (Himmelweit, 1991: 469).

It is best to understand neoliberalism as a process—specifically, ‘neoliberalization’—because it is not a fixed and functionally uniform configuration of capitalism (Peck and Tickell 2002). As a process, it is not monolithic or unilinear, but involves different aspects, tendencies, and contradictions.

The process of neoliberal reproduction therefore constitutes capitalist production itself and the conditions created for its continued accumulation. In particular, this research focuses on two interrelated processes: [i] the reproduction of neoliberal market-oriented policies and institutions, and [ii] the reproduction of market-driven strategy of what Harvey (2003, 2005) called ‘accumulation by dispossession’. Here, the process of neoliberalization entails the reproduction of neoliberal institutions and policies and the reproduction of social antagonisms that spring from the strategy of accumulation by dispossession.

Particular attention is to the policies and institutions proposed, adopted, practiced, or legislated in the Philippines and Malaysia that elevate the private sector, private property and their attendant values to a dominant role in society. Neoliberalism, or the ‘Washington Consensus’, has ten key policy features as elaborated by John Williamson (1990, 1999): fiscal discipline, reordering public expenditure priorities, tax reform, financial liberalization, competitive exchange rates, trade liberalization, free entry and equal conditions for foreign direct investment, privatization of state enterprises, deregulation, and secure property rights (also, see Fine 2001).

‘Accumulation by dispossession’ refers to the classical Marxist concept of ‘original’ or ‘primitive’ accumulation in capitalism. It implies both as a specific strategy for accumulation and the actual consequence of the process of neoliberalization. As Harvey (2006: 94-95) argues:

Capital accumulation is necessarily materially grounded in the web of socio-ecological life. But capital accumulation is not only about the production and circulation of surpluses as surplus values. It is also about the appropriation of the assets of others.

In the epoch of neoliberal globalization the state plays a crucial role in guaranteeing and promoting this process and strategy through its coercive apparatuses with monopoly over the use of force and through its legitimizing legal institutions. For instance, the policy of privatization engenders new private property rights while dispossessing people of their previously held collective rights, ownership, and access.

With this specific operationalization of the concept of neoliberal reproduction, it reflects the contradictory tendencies in the process. On the one hand, the reproduction of market-oriented institutions and policies drives a process towards convergence. On the other hand, the market-driven strategy of accumulation by dispossession necessarily induces social inequalities and resistance.

The concept of **elite interests** refers to the dominant social forces who mediate, or are implicated in, the process of neoliberal reproduction. It comprises two terminologies—elites and interests—that need to be identified and specified. Who are the elites, and what are their interests?

Elites are individuals or groups of people who enjoy power and whose powers are derived from political position and/or economic wealth. This research focuses on these political-economic elites at domestic and international levels. The political elites pertain to incumbent government officials in the Philippines and Malaysia, as well as elites in the bureaucracy and the technocracy. And the economic elites include both local business interests and transnational corporations.

Interests are stakes in the process of neoliberalization that are based on personal, political, economic, financial, ideological, class, ethnic, or institutional considerations. Unlike some ideologies—such as neoliberalism, which is a set of established ideas—interests may be varied and oftentimes conflictive.

In this research, the concept ‘elite interests’ is understood as vested interests of political-economic elites at domestic and transnational levels. Since the process of neoliberalization is an evolving—rather than a fixed—regime of accumulation, elite interests are intrinsic to the formation of a particular configuration of political-economic power relations and the shaping of capitalist development.

The concept of **authoritarian liberalism** refers to an emergent social regime in Southeast Asia that has been a consequence of the social transformations in the evolution of capitalism in the region. In this research, authoritarian liberalism is preferred to be categorized as a ‘social regime’, which is a specific form or configuration of political-economic relations within the society, rather than as a ‘form of state’, which has strong political and governmental connotation. As John Holloway (1994) argues that to defetishize the notion of the state is necessary ‘to dissolve the state as a category...to understand the state not as a thing in itself, but as a social form, a form of social relations’ (p. 26).

Authoritarian liberalism is a social regime that combines a liberal market economy with political authoritarianism. In other words, it is a neoliberal economy embedded in an authoritarian political framework. The state form within this social regime is an ‘authoritarian-liberal state’ that is oriented to the ideology and practices of political authoritarianism and economic liberalism.

While each of these three key concepts—neoliberal reproduction, elite interests, and authoritarian liberalism—is specifiable independently to each other, they have to be brought together in a dynamic framework of interrelations to understand the specificity of the changing shape of capitalism in Southeast Asia. Based on the dialectical framework outlined here, this research argues that neoliberal reproduction in Southeast Asia is conflict-ridden whose process is mediated at the national level by conflicting elite interests and consequently engenders a contradictory social regime of increasing and deepening authoritarian liberalism in the Philippines and Malaysia, respectively.

Comparative Analysis

A critical reading of contemporary Southeast Asia in this research is both conceptual and comparative, and understands political economy in its broader historical, social, and international contexts. Its approach is based upon comparison within the region and between two countries with diverse social relations. The region of Southeast Asia has been chosen because of its diversity, and within the region are the diverse cases of the Philippines and Malaysia. Both societies are diverse in terms of political regimes, economic structures, and cultural orientations (Table 1). An analysis of diverse societies of Malaysia and the Philippines offers an insightful account on the different dynamics, strategies, and tendencies of capitalist development on specific national situations. It is not simply a study of two Southeast Asian societies at some random point of history, but of two especially significant and timely cases undergoing intense restructuring from conflicting domestic and international determinants, which shapes peculiar social formations. Their suitability as test cases of general theoretical propositions about the relationships between state, market and society are all the more compelling because of the combined and uneven character of development in which the process of neoliberalization in these societies involves different stakes and interests and hence induces distinct changes in social relations.

Table 1. Diverse Social Relations in Southeast Asia (General Characteristics)			
Social Relations	‘The Political’	‘The Economic’	‘The Cultural’
Philippines	Democratic and republican; presidential system	Market-led (service-oriented)	Relatively homogenous (predominantly Catholic); heterogeneity not based on race or ethnicity, but largely on provincial/geographical roots and language
Malaysia	Semi-authoritarian; parliamentary system	National developmentalism / statist-nationalist capitalism (focus on manufacturing, agriculture and services)	Heterogeneous (predominantly Muslim) with different races: Malays, Chinese, Indian, natives (like Orang Asli); lain-lain (others)

The analysis is based upon comparison, rather than upon generalization, so as to highlight country specificity and the process of history. The distinctiveness of the historical process of transformation of the two different countries demands a comparative approach. However, while this research looks for common causes in similar phenomena and processes at the regional level, it also identifies specific factors and dynamics on differences at the national level. In doing so, it avoids the pitfalls of overspecialization and excessive generalization.

EMPIRICAL METHODOLOGY

The changing nature and form of capitalism in Southeast Asia cannot be understood on the basis purely on theoretical claims. There is a need to move from the abstract to the concrete that combine theoretical claims with empirical research. As a critical scientific inquiry, this research proceeds from ‘appearance’ to ‘essence’—that is to say, from an apparent observation of the process to its underlying causes.

The empirical method employed in this research is mainly based on data, analysis, and narratives from documentary research, review of literature, news reports, and blog posts (Table 2). Key to the analysis here is to make extensive reference to key political-economic reform efforts dating 1997-2011, which has been punctuated by the Asian financial crisis and the global economic crisis. In particular, it makes extensive direct reference to the official documents, analyzes their contents, and identifies their characteristic discursive strategies within which the logic, idea, interest, and rationale that underpin specific responses to crises and development policies are set out. For the Philippine case, the primary focus is the administration of former President Gloria Macapagal Arroyo (2001-2010), but due to the historical orientation of this research it has also been necessary to include the administrations of former Presidents Ferdinand E. Marcos (1965-1986), Corazon C. Aquino (1986-1992), and Fidel V. Ramos (1992-1998), as well as the first year of the administration of Benigno Simeon C. Aquino III which started in June 2010. For the Malaysian case, the primary focus is the post-1997 crisis, but there is an historical imperative to start the reading from the 1970s when the New Economic Policy (NEP) was launched during the prime ministership of Tun Abdul Razak bin Dato’ Hussein (1970-1976) and his successor Tun Hussein Onn (1976-1981). Contemporary Malaysia covers the governments of former Prime Ministers Tun Dr. Mahathir bin Mohamad (1981) and Dato’ Seri Abdullah Ahmad Badawi (2003-2009), and the current Prime Minister Dato’ Sri Haji Mohd Najib bin Tun Haji Abdul Razak that started in April 2009.

Since the *realpolitik* of the present in Southeast Asia is understood in light of the political economy of the past, this research looks into the processes of state restructuring and social change in the Philippines and Malaysia before and after the 1997 crisis so as to capture questions of change and/or continuity in these processes. The study takes the 1997 Asia crisis as point of departure but the processes of state restructuring and social change could be traced long before this crisis moment. For instance, contemporary state restructuring and social change in Malaysia would be better understood by taking into account the initiatives undertaken nearly three decades prior to the 1997 Asia crisis. Mahathir in the 1980s who carried on the NEP of 1970—designed to recompose the Malaysian class structure along ethnic lines—instituted nationalist-capitalist development projects. NEP was then expanded and

strengthened in an overarching policy in the 1991 New Development Policy (NDP) of Vision 2020. In the Philippines, contemporary state restructuring and social change processes cannot be clearly grasped without looking at the last two decades which witnessed a concerted effort to integrate the Philippine economy—historically more ‘open’ than many of its neighbours—into the global economy through a series of market reforms. The push towards liberalization was substantively set in motion by Corazon Aquino in 1986 (with the Philippine Privatization Programme), and then further advanced by the subsequent presidency of Fidel Ramos from 1992 to 1998 who actively sought to attract new flows of international private capital. Both Aquino and Ramos embraced neoliberal ideology—the adoption of free market doctrines and their application to all aspects of economic activity—though departed from the ideal-type of policy prescription advocated by the Washington Consensus in response to particular vested interests.

Table 2. Empirical Sources		
INQUIRY	FOCUS	EMPIRICAL METHOD AND SOURCES
NEOLIBERAL REPRODUCTION	<p>Neoliberal Reforms (market-oriented institutions and policies)</p> <p>- Focus on 1997 and 2008 crises responses</p> <p>– But to emphasize history of neoliberalization: economic initiatives from the 1970s in the Philippines and Malaysia</p>	<ul style="list-style-type: none"> • Documentary research; Review of literature; News reports
ELITE INTERESTS	<p>Political or business elite interests; graft and corruption exposés</p>	<ul style="list-style-type: none"> • News reports; Blogs; Documentary research; Review of Literature
AUTHORITARIAN LIBERALISM	<p>Institutions or practices of authoritarian liberalism</p>	<ul style="list-style-type: none"> • Documentary research; News Reports; Review of literature; Blogs

The official documents that form the primary empirical materials analyzed are from the governments of Malaysia and the Philippines and from multilateral institutions and regional associations (among others, the World Bank, IMF, WTO, ADB, APEC, and ASEAN). These documents include legislations, laws, policies on institutional

reforms, development plans and executive orders in the Philippines and Malaysia; and policy recommendations, memoranda, and reports from multilateral institutions relative to the 1997 AFC and the 2008 GEC. The main sources of data on the Philippine economy are from the National Economic Development Authority (NEDA), the National Statistical Coordination Board (NSCB), the Bangko Sentral ng Pilipinas (BSP), and the Department of Trade and Industry (DTI). For the Malaysian economy, the main sources are from the Economic Planning Unit (EPU), the Ministry of International Trade and Industry (MITI), Bank Negara Malaysia (BNM), and the Department of Statistics. The databases from the World Bank Data—especially, the Private Participation in Infrastructure Database on public-private partnerships—and the Asian Development Bank Database and Development Indicators have been very useful to the empirical needs of this research. The documents used in this research are generally accessible through respective websites of said institutions.

In addition to the primary method of documentary research, an extensive review of literature and analysis of news reports in the Philippines and Malaysia are indispensable in meeting the objectives of this research. Blogs in Malaysia have been very helpful as they have provided both critical perspective and leads to other sources.

SKETCH OF THE CONTENTS, CONCEPTS AND ARGUMENTS

In order to meet the main objective and address the problematique and sub-queries identified above, this research is composed of five interrelated chapters. The key concepts developed here—namely, ‘neoliberal reproduction’, ‘elite interests’, and ‘authoritarian liberalism’—constitute the thematic and comparative discussion in the main chapters.

Chapter I: A Critical and Comparative Approach to the Political Economy of Development in Southeast Asia

Chapter I lays out the analytical framework through which an analysis of the relationship of theories and concepts used in addressing the research problematique on explaining contemporary capitalist development in Southeast Asia is organized. It does so in four sections.

The first section provides a review of established literatures and their attendant theories within the field of the political economy of Southeast Asia, the Philippines and Malaysia. The discussion of the review proceeds from a presentation of context (the perspective and standpoint in time and space), through its content (the argument and assumptions), and to the critique (shortcomings or inadequacy) of the established theories and literature in the field.

The second section proposes a ‘critical political economy’ approach that builds on the critique of mainstream literature and theories articulated in the first section and based upon comparison between two different country cases. It also provides an overview of the theoretical and methodological influences of this research from various critical traditions in classical Marxism, critical international political economy (IPE), and social conflict theory in Southeast Asian political economy.

The third section presents the conceptual framework in which the three concepts—neoliberal reproduction, elite interests, and authoritarian liberalism—being developed in this research are discussed. Here a heuristic device for the analysis is introduced, the level of analysis clarified, the key concepts operationalized, and the comparative analysis outlined.

And the fourth section elaborates on the empirical methodology and the sources of data and narratives used in the analysis of the research.

Chapter II: Neoliberal Reproduction

Chapter II examines the constitutive role of crises in capitalist development in general and neoliberal reproduction in particular. It starts with a discussion of the international and regional responses on the 1997 AFC and the 2008 GEC, and then the respective political-economic responses of the Philippines and Malaysia. It argues that crises have become functional, rather than dysfunctional, to the reproduction of the institutions, policies, and relations of neoliberalism. In support of this argument, it takes an historical account of the state restructuring projects and initiatives associated with neoliberal reforms in the Philippines and Malaysia long before the 1997 crisis. Hence, it is suggested that the process of neoliberalization was already in train; but the crisis contributed immensely to the acceleration of this process. It does so by tracking the path of the political economy of reform in the Philippines and Malaysia prior to and after the 1997 crisis.

In the Philippines, it analyzes the respective Medium-Term Philippine Development Plans (MTPDPs) and key reform initiatives of the administrations of Corazon Aquino (1986-1992), Fidel Ramos (1992-1998), Joseph Estrada (1998-2001), and Gloria Macapagal-Arroyo (2001-2010). And in Malaysia, it traces the continuity of economic reform process from the twenty-year New Economic Policy (NEP) for the period 1971-1991, carried on through the leadership of Mahathir (1981-2003) and reaffirmed in his ‘Wawasan 2020’ (Vision 2020) as enshrined in the New Development Policy (NDP) for 1991-2020, and to the development projects of Abdullah Badawi (2003-2009) with his ‘Islam Hadhari’ (economic competitiveness within the framework of Islamic civilization) and the current Prime Minister Najib Razak with his ‘1Malaysia’ vision for global competitiveness. It also looks into the series of development plans from the First Malaysia Plan (1MP) for 1966-1970 to the Tenth Malaysia Plan (10MP) for 2011-2015, as well as the First Outline Perspective Plan (OPP1, 1971-1990), Second Outline Perspective Plan (OPP2, 1991-2000), and the Third Outline Perspective Plan (OPP3, 2001-2010).

An examination of these major development plans and policies of the Philippines and Malaysia points to the observation that the process of neoliberalization and its associated state restructuring programmes have been underway—particularly taking off in the 1980s for both countries. The Asia crisis of 1997 had provided the opportunity for the thoroughgoing construction of a neoliberal regulatory regime in these countries, although variegated depending on historical and social dynamics in respective countries. For instance, one of the reasons why the Philippines has been more receptive than Malaysia to neoliberal external impositions (such as on austerity and further liberalization) was because of the former’s history of being tied and subjected to disciplinary SAPs by the World Bank and the IMF. But while Malaysia

used capital controls and continued with a fixed exchange rate in response to the 1997 crisis, the country returned to business-as-usual immediately after the crisis, following a Keynesian rule that ‘the worse the situation, the less laissez-faire works’.

This chapter seeks to understand the outcomes of the 1997 AFC and the 2008 GEC and the extent to which these crises impacted on the process of social change in Southeast Asia. Emphasis is on the specificity of the historical process of neoliberalism’s penetration into the region. It explores the ways in which neoliberal reformers have made these crises moments functional to the reproduction of market-oriented institutions and market-driven social relations. Here, the concept of ‘neoliberal reproduction’ involves both the production itself and the conditions created for continued productive accumulation.

Neoliberal reproduction constitutes two organically-connected processes: [a] the reproduction of market-oriented policies and institutions, and [b] the reproduction of market-driven strategy through what Harvey (2003, 2005) called ‘accumulation by dispossession’. Thus, neoliberalization is a contradictory process that entails a convergence towards the reproduction of neoliberal institutions and policies, on the one hand, and the reproduction of social antagonisms that spring from this accumulation strategy through dispossession which deepens hierarchies, inequalities, and hence resistances, on the other hand.

On the basis of this understanding of the contradictory internal logic of neoliberal reproduction, the research observes that both the Philippines and Malaysia have similar drive to capital accumulation and hence undergo the social consequences related to this process. They differ however on the strategy for accumulation and on the intensity of its impact on social relations.

The chapter therefore gives an account of capitalist diversity in which differences in national situations necessitate distinct projects of post-crises neoliberal restructuring from society to society in the region. The structural imperatives, relational character, and process of capitalist development have been the same since time immemorial. The difference comes not in structure, not in relations, not in the process, but in the *strategy* to pursue accumulation.

Due to the combined and uneven process of capitalist development in Southeast Asia, neoliberalization entails different strategies as it encounters varying interests among domestic elites from state to state in the region. In the particular contexts of the Philippines and Malaysia, the general neoliberal agenda for post-1997 crisis restructuring have taken varying configurations depending on the outcome of the struggle within the constellation of international and domestic forces. The next chapter examines how and why neoliberal reproduction is a highly contested process mediated by conflicting interests among domestic and international elites. An understanding of this enduring struggle among different interests involved at domestic and international levels remains critical to have a clearer grasp of the nature of capitalist development in Southeast Asia in general and in the respective societies of the Philippines and Malaysia in particular.

Chapter 3: Elite Interests

Chapter III investigates how domestic and international elites as dominant social forces mediate, negotiate, promote or resist processes of neoliberal reproduction. It is argued that a critical understanding of this dynamic requires an interrogation of ‘competitive capitalism’—which is a system and culture of competition where no particular faction of the capitalist class is feared or favoured in economic activities—as the ideal-type neoliberal reform, and a recognition of the realpolitik of conflicting elite vested interests in shaping capitalist development. Case studies are provided of recent reform initiatives and allegations of graft and corruption involving factions of domestic elites and transnational capital to show the conflict-ridden constitution of capital accumulation in emerging economies of Southeast Asia. In the Philippines, the project cases are: [i] NBN-ZTE (National Broadband Network project awarded to ZTE, a telecommunications supplier based in China), the most controversial deal entered into by the Arroyo administration; [ii] NAIA-3 (Ninoy Aquino International Airport Terminal 3), built by the Philippine International Airport Terminal Corporation (PIATCO), a joint venture of a Philippine group of Filipino-Chinese businesspeople and Germany Fraport AG amounting to USD 565-million; and [iii] Northrail (North Luzon Railways), one of China’s biggest aid projects in Southeast Asia funded by the Export-Import Bank of China through a USD 900-million soft loan. In Malaysia, three cases are also examined: [i] the resistance to privatize Petronas (Petroliam Nasional Berhad), an oil and gas company and the biggest government-linked company (GLC) in Malaysia and a de facto transnational corporation; [ii] Port Klang Free Zone (PKFZ), a multi-billion ringgit scandal; and [iii] Water sector reforms, specially the struggles prior to the enactment of the Water Services Industry Act (WSIA) of 2006. These cases reveal various dimensions of conflicting elite relations in the process of neoliberalization in their scramble for capital accumulation.

The process of neoliberal reform is confronted with the classic structure-agency contradiction as articulated in the pithy analysis of Marx (1852) on the dynamics of historical social change. To paraphrase Marx’s polemics, it can be said that: Neoliberal reformers attempt to ‘make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of (the living neoliberals)’. At the heart of the process of neoliberal restructuring in Southeast Asia are domestic elites with political-economic vested interests in accumulation who wield significantly the shape of capitalist development in the region.

Both the Philippines and Malaysia embody substantive features of ‘crony capitalism’ and ‘state capitalism’ that are antithetical to neoliberalism’s form and practice of ‘competitive capitalism’. These political-economic regimes are therefore the ideal targets of neoliberal reform. It was hoped that the crisis of 1997 would be a turning point or a ‘catalyst’ for the convergence of these Southeast Asian economies towards a market-led development model (MacIntyre, Pempel, and Ravenhill 2008). But the prevailing structures and relations in the region make such reform projects all the more conflictive. In principle, the Philippines and Malaysia have acceded to the normative ideas of free market and competitiveness as evidenced in their respective economic restructuring policy measures. In reality, however, the fate of these

neoliberal market reform *ideas* is, to a large extent, contingent upon the *interests* of domestic elites, not least incumbent political elites. In this sense, it is interests—rather than ideas—that mostly determine the shape of capitalist development in the region. Elites in Southeast Asia can be downright anti-neoliberalism or counter-competitiveness so long as it serves their interests. The proclaimed neoliberal ideology of these elites ends when their vested interests begin.

Neoliberalism regards the market—specifically, the private sector—as the means and ends of economic development. Market rationality in the policies of privatization, deregulation, and liberalization is said to be the logic of a truly competitive capitalism. It is assumed that if state's role is limited only to facilitating the conduct of private business, instances of corruption will largely be reduced. And so the neoliberal slogan goes: less state intervention, less corruption. However, the concrete cases of Southeast Asia undergoing the process of neoliberalization offer a prospectus different from the neoliberal ideology. While the policies of privatization, deregulation, and liberalization enlarge the territory for private capital accumulation, they have also opened a large pool of opportunities through which incumbent domestic (political) elites can swim on new channels for corruption and rent-seeking activities. With the opening up of Southeast Asia to the world market, incumbent state functionaries have discovered ways to receive bribes and other forms of rents from transnational capital. Transnational elites such as transnational corporations have included in their business accumulation strategies and their accounts the transaction costs of dealing with domestic political elites in developing countries (see, e.g., Moody-Stuart 1997). Economic liberalization has in fact not led to the reduction of corruption in the developing world (Harriss-White and White 1996; Schmidt 2002). Corruption, or what Marx then called 'primitive accumulation', has always been embedded in the process of capitalist development.

What is intriguing that might implicate transnational capital and state functionaries in illegitimate accumulation is the huge amount of illicit flows in Asia at the beginning of the 21st century. For the period 2000-2008, the Global Financial Integrity (2011) has come up with cumulative figures of USD 291 billion for Malaysia and USD 109 billion for the Philippines, making both countries in the top three with the largest portion of illicit flows in the world.³ One begs to ask the question about the timing, volume, and movement of these transfers. The neoliberal rules that encourage capital flight through the deepening of financial liberalization policies of easy entry and exit especially during the post-1997 AFC period make these transfers possible. The sheer volume and the outward movement of these flows are telling of the involvement of transnational corporations, who might have mobilized their contacts within the state to evade taxes and other laws and the usual red tape.

In recent years, new institutional economics has assumed prominence and has been integrated into the vision of the neoliberal ideology to create 'competition cultures' across the global economy. This new configuration of neoliberalism has been referred to as 'socio-institutional neoliberalism' or SIN (Carroll 2010). Since the goal of

³ Global Financial Integrity (2011) reports that: 'Asia continues to produce the largest portion of illicit flows, almost a half-trillion dollars in 2008 alone. Across the nine years from 2000 to 2008, selected cumulative figures are: China – US\$2.2 trillion; Malaysia – US\$291 billion; Philippines – US\$109 billion; and Indonesia and India – both US\$104 billion' (p. i).

institutions is to reduce transaction costs so as to provide incentives for productivity-enhancing behaviour, institutions are seen to offset institutionalized corruption in developing countries in Southeast Asia. It is hoped that institutions can provide the 'rules of the game'—a substantial degree of predictability on the behaviour of economic agents and of regularity on the conduct of human interaction for growth and productivity in the long-run (North 1990; Greif 2006). This economic philosophy of the institutionalists, however, is very normative. In reality, amidst the phase of liberalization and economic reform in the Philippines and Malaysia, the institutionalized character of patronage and rent-seeking in these states make even international private capital play by the rules of the game through bribery and other palm-greasing acts. This therefore makes transnational capital both complicit and participant in the illicit practices of graft and corruption, which are political-economic activities that go against the tenets of competitiveness.

Neoliberalization has also brought in a process of restructuring of relations of conflict and collaboration between transnational and national elites. At some point, both groups collaborate on projects they deem to be mutually beneficial to their shared interests. At another point, both have conflicts over policies which contradict their respective interests for power and resources.

It has been assumed that the reproduction of neoliberalism through macroeconomic policies of privatization, liberalization, and deregulation would entail the destruction of state monopoly in economic activities and the subsequent introduction of a culture of competition in the supply market. On the contrary, neoliberalism has even enlarged the pool of prospective clients from whom entrenched elites may appropriate rents, and of course, this increases the cost of doing business for foreign investors. The respective development experiences of the Philippines and Malaysia show that these neoliberal policies have not succeeded in creating a competitive regime. Instead of subjecting elites to disciplinary neoliberalism, elites themselves have appropriated neoliberal reproduction to their political-economic interests.

While classical political economy of Adam Smith claims the existence of harmony between classes, 'the isolated individual of liberalism is parodied since private interest is itself already a socially determined interest and the symmetrical exchange relation is shown to conceal exploitation' (Burnham 1994: 224). The detachment of political-economic theory from its social context has the effect of occluding an understanding of a very wide range of social conflict.

The normative constitution of the whole tradition of liberalism, in which the political-economic ideology of neoliberalism is founded on, takes for granted a range of concrete social conditions and relations that limit freedom of action (Skinner 2008; Wood 2008). Neoliberalism has always been peddled as a universalizing ideology of freedom and liberty of markets. Such 'marketing', however, seems to be insensitive to the many conditions that interfere with the reproduction of market relations. In reality, neoliberalism does not enjoy liberty—which is understood as the absence of dependence—especially at the domestic level in the context of Southeast Asian states like the Philippines and Malaysia whose economic activities firmly rest on political actions. Existing social dynamics of elite rule limits freedom of markets. And variegations of neoliberalism largely depend on the dynamics of elite interests. The arbitrary political power exercised by these elites greatly contradicts the requirements

of neoliberalism for regularity, rationality, and rule of law. The politically-charged interference on economic policy implementation of these elites based on their vested interests strips off the market of its assumed supremacy and reduce it to the servitude of the elites.

Presumably, free markets exist in free states. Both the Philippine and Malaysian states are not 'free' from particular class interests; they are very much captive by their respective political elites, who in turn shape domestic market relations.

The idea of 'market sovereignty' is not absolute; it is very much normative. Its realization would derive from voluntary and unconditional submission of its subjects. Well-entrenched elites in the Philippines and Malaysia have established themselves into a first mover advantage position, and as such they would raise the barriers to entry for international capital that might compete with their interests. In this sense, old domestic elites can impede capitalism's motion and can also obstruct capitalist reproduction.

The process of neoliberal reproduction—understood here as founded on the idea of 'competitive capitalism' that promotes a competition culture—comes into conflict with well-entrenched elite interests. Unlike *ideology*, such as neoliberalism, which is a set of established ideas, *interests* are varied. The normative prescription for 'competitiveness' in which there is no particular faction of capital that is feared or favoured confronts head-on the realpolitik of vested interests.

Moments of crises have further revealed the contradictions in the system of neoliberalism; but, at the same time, it has manifested the consistency of the self-interested nature of the elites. While neoliberalism needs a stable financial system with integrity, the economic crises of 1997 and 2008 were due to greed, irrational exuberance, and selfish individualism of financial elites that venture into speculative activities which resulted in chronic volatility and instability of the system. And while neoliberalism requires the virtues of competition, the crises have reinforced the logic of elite interests for the consolidation of monopoly power.

Political-economic elite interests in the Philippines and political-business alliances with class and ethnic vested interests in Malaysia shape neoliberal reproduction in the region to a large extent. The graft and corruption scandals plaguing both the Philippines and Malaysia provide the concrete empirical evidence to prove these contradictory tendencies. For Southeast Asian elites, their proclaimed neoliberal *ideology* ends when their vested *interests* begin. In the long-run, it is domestic elite *interests* that is the greatest challenge or obstacle to neoliberal reproduction.

A central agenda of this chapter is to highlight the question of agency as it interacts with capitalist development. In doing so, it shows the structure-agency dynamics in the historical process of social change. It makes an argument that the process of neoliberal reproduction is intrinsically constrained by its dependence on elite interests. This chapter also examines the impediments that stand in the way of neoliberalization. Hence, the process is examined vis-à-vis the social and material conditions in which it is deployed.

Chapter 4: Authoritarian Liberalism

Chapter IV examines the emergence of a particular social regime in the Philippines and Malaysia as a consequence of contemporary dynamics of capitalism in Southeast Asia. It argues that the *process* of neoliberal reproduction comes into conflict with vested *interests* of political-economic elites and what comes out amidst this conflict is another seemingly contradictory *form*, a social regime of ‘authoritarian liberalism’. It starts with a comprehension of the concept of ‘authoritarian liberalism’ through a discussion of its philosophical influences and theoretical underpinnings. The chapter then analyzes the political projects and attempts at embedding authoritarian liberalism in Southeast Asia—in particular, its institutionalization in the Philippines and its deepening in Malaysia. In the case of the Philippines, the focus is on the project of the Arroyo administration (2001-2010) to configure new institutions that are more likely to secure the conditions for elite and capitalist reproduction in the country within the framework of a neoliberal ‘strong republic’. And in the case of Malaysia, it is suggested that the respective visions and strategies of succeeding governments—namely, ‘Vision 2020’ of Mahathir, ‘Islam Hadhari’ of Abdullah, and ‘1Malaysia’ of Najib—are all oriented towards the deepening of a neoliberal economy within the discipline of political authoritarianism.

The concept of ‘authoritarian liberalism’ is not new. Its idea and philosophy has been well-articulated in the ‘strong state, free economy’ formulation of the German jurist Carl Schmitt during the Second World War; the ‘Kirkpatrick Doctrine’ during the Cold War and the Vietnam War; and the World Bank’s neoliberal idea of an ‘effective state’ for the capitalist market in the mid-1990s.

As a consequence of the conflicting tendencies between the process of neoliberal reproduction and the *realpolitik* of elite interests, a seemingly contradictory social regime called ‘authoritarian liberalism’ is emerging in Southeast Asia. This social regime constitutes a neoliberal economy embedded in an authoritarian polity. The state form in this regime may be called an ‘authoritarian-liberal state’, whose political orientation is authoritarian and whose economic philosophy is liberal.

The idea of authoritarian liberalism in this research is conceptually different—chiefly in terms of analytical orientation—from the one earlier introduced and developed by Kanishka Jayasuriya (2000, 2001, 2005) in the literature on Asian political economy. For Jayasuriya, authoritarian liberalism is the emergent ‘authoritarian mode of liberalism’ that has replaced the postwar mode of international governance, which John Ruggie (1982) then called as ‘embedded liberalism’.⁴ Jayasuriya (2000, 2001, 2005) argues that the authoritarian liberal order embodies a new form of ‘anti politics’ that has enabled the formation of a strong ‘regulatory state’ whose main purpose is to regulate and insulate the liberal market economy from politics. Like the normative framework of Ruggie’s concept of embedded liberalism, Jayasuriya’s take on

⁴ For Ruggie (1982: 393), ‘the essence of the embedded liberalism compromise’ was that ‘unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism.’ Hence, central to embedded liberalism was the institutional nexus between multilateralism and domestic stability (i.e., greater openness to international economy is supported by cushioning the domestic economy from external disruptions) and within this framework the state plays a mediating role between market and society.

authoritarian liberalism is built on a 'normative foundation'. In contrast to Jayasuriya's normative orientation, the concept of authoritarian liberalism in this research is a structural reading of the reality of political-economic relations in contemporary Southeast Asia.

The interests of elites in the process of neoliberalization are not antithetical to authoritarian liberalism. In fact, these tendencies can be mutually reinforcing. Neoliberalism, after all, was an elite project launched in the 1980s to restore economic and political power of the elites and capitalists and whose unequal disposition of power has profound effects on the enjoyment of civil and political liberties and social and economic rights (Harvey 2005).

Authoritarian liberalism as a social regime is a manifestation of a structural contradiction in neoliberalization. Authoritarianism is contrary to the proclaimed ideals of capitalism for individual freedoms. But, at the same time, authoritarianism is embedded in an elitist class relations whose reproduction is fundamental to capitalism.

The 'authoritarian-liberal state' is a particular articulation of the prevailing orientation of the government on the polity and the economy. As such, it does not deny the fact that states are sites of contestation and coalition; in particular, they are arenas for social struggle and alliance formation among factions of the capitalist class themselves and between political-economic elites and other social groups and actors who seek to advance their respective interests.

The fundamental mission of an authoritarian-liberal state is twofold: create an 'attractive business climate' through market-oriented institutions and ensure elite dominance through market-driven class relations. For the liberal economy, the idea is to optimize conditions for capital accumulation; and for the authoritarian polity, the goal is to maintain the hegemony of elites at all means.

The 'authoritarian-liberal state' promotes economic neoliberalism by making all state resources oriented towards the protection of business interests through institutions, tax breaks, concessions, and other guarantee provisions. It is obsessed with growth and sees the private sector as the foremost engine of development. It is for the privatization of assets to enlarge the space for capital accumulation. It is for de-regulation or re-regulation not so much for the common good but to ensure market sovereignty. It is for liberalization for the free mobility of capital that can easily enter and exit the country. It is for 'flexibility' in labour markets in which rules are flexible for the market but a source of insecurity for labour. It proclaims competition while tolerant of oligopoly and monopoly power. It regards competitiveness as race-to-the-bottom as a competitive advantage through low wages and poor labour conditions. In times of crises, the facilitative role of states has been complemented with interventionist actions in mediating or resolving crises and its tendencies through fiscal and monetary policies as well as social policies geared at maintaining stability and the need for political legitimacy.

At the same time, the 'authoritarian-liberal state' is essentially anti-democratic as its governance system is more responsive to elites and market forces than to popular-democratic forces. It is characterized by the dominance of the executive whose

preferred legislation is the issuance of executive orders that bypasses the democratic requirements for parliamentary or congressional decision-making. It is the most potent coercive apparatus for the perpetuation of the strategy of accumulation by dispossession.

In this chapter it is argued, that Malaysia is best understood as an authoritarian-liberal state, not a 'developmental state'; and that the Philippines has growing features of authoritarian liberalism, rather than simply a 'predatory regime'. It is the emergence of the social regime of authoritarian liberalism that has been one of the most distinctive characteristics of the political economy of Southeast Asia.

Concluding Chapter

The concluding chapter discusses the interrelations of the arguments of the research in understanding the evolution of capitalism in post-1997 crisis Southeast Asia. It remarks on how the research makes a contribution to a critical appraisal of the contemporary political economy of Southeast Asia—based upon comparison of two diverse societies between the Philippines and Malaysia, and rooted in a dialectical relationship between the three concepts: neoliberal reproduction, elite interests, and authoritarian liberalism. In particular, it synthesizes the findings of the research towards an interpretation of the historical specificities of capitalist development through an analysis of a conflictual process (neoliberal reproduction) mediated by conflicting interests (elite interests) and producing a conflict-ridden form (authoritarian liberalism).

REFERENCES

(You can email me at bonn@cgs.aau.dk to request a comprehensive list of references cited here and used in the thesis.)